



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 16, 2006

H.R. 5337 **National Security Foreign Investment Reform and** **Strengthened Transparency Act of 2006**

As ordered reported by the House Committee on Financial Services on June 14, 2006

SUMMARY

H.R. 5337 would amend the Defense Production Act of 1950 to establish in law the Committee on Foreign Investment in the United States (CFIUS). The committee would consist of at least 12 members (including six cabinet secretaries). In addition, the legislation would authorize the appropriation of \$10 million annually over the 2007-2010 period for the Secretary of the Treasury to pay for activities of the committee that are conducted by the Department of the Treasury.

Assuming appropriation of the authorized amounts, CBO estimates that implementing H.R. 5337 would cost \$40 million over the 2007-2011 period. In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of some federal agencies, but because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill. Enacting the bill would not affect direct spending or revenues.

H.R. 5337 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5337 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011

CHANGES IN SPENDING SUBJECT TO APPROPRIATION

Authorization Level ^a	10	10	10	10	0
Estimated Outlays	9	10	10	10	1

- a. In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of some federal agencies, but because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5337 will be enacted by the end of fiscal year 2006. We assume that the necessary amounts will be appropriated for each year and that outlays will occur at historical rates for similar programs.

H.R. 5337 would establish in law the CFIUS. Under the bill, the committee would consist of at least 12 permanent members including the Secretaries of the Departments of Treasury, State, Defense, Commerce, and Homeland Security; as well as the Attorney General, Director of the Office of Management and Budget, the United States Trade Representative, the Chairman of the Council of Economic Advisers, the Director of the National Economic Council, the Director of the Office of Science and Technology Policy; and the President's Assistant for National Security Affairs. The committee would coordinate reviews of foreign investment in the United States that involves national security or critical infrastructure in the United States. The legislation would formalize and expand this review and investigation process.

The legislation also would authorize the appropriation of \$10 million annually over the 2007-2010 period for the operations of the committee. Assuming the appropriation of the authorized amounts, CBO estimates that the provision would cost \$40 million over the 2007-2011 period.

In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of federal agencies that are represented on the committee, but because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill. Additional costs over the 2007-2011 period, however, would generally come from

agencies' salary and expense budgets which are subject to annual appropriation. Such costs would probably total at least a few million dollars per year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5337 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On May 3, 2006, CBO transmitted a cost estimate for the Foreign Investment and National Security Act of 2006, as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on March 30, 2006. The two pieces of legislation are both concerned with CFIUS but have some different provisions. H.R. 5337 would authorize the appropriation of \$10 million annually over the 2007-2010 period while the legislation approved by the Senate committee would not authorize a specific amount to be appropriated.

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